

*This Announcement is a translation of the original; “Shihon Kosuto ya Kabuka wo Ishiki Shita Keiei no Jitsugen ni Muketa Taio ni Tsuite” written in Japanese, for convenience purpose only; and in the event of any discrepancy, the original in Japanese shall prevail.*

June 18, 2024

For Immediate Release

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### **Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Updates on Progress)**

NIPPON SHOKUBAI CO., LTD. has discussed at the Board of Directors the current situation on cost of capital and profitability, and the progress in actions to enhance corporate value.

Please refer to the attached document for details of action to implement management that is conscious of cost of capital and stock price.



**NIPPON  
SHOKUBAI**

# **Action to Implement Management that is Conscious of Cost of Capital and Stock Price**

– Updates on Progress –

**June 18<sup>th</sup>, 2024**

**NIPPON SHOKUBAI CO., LTD.**

## Agenda

- I . Summary of previous announcement on 20<sup>th</sup> June 2023**
  - II . New additional actions to increase corporate value**
  - III . Progress in actions announced on 20<sup>th</sup> June 2023**
- (References) Analysis of current situation**

# I. Summary of previous announcement on 20<sup>th</sup> June 2023

- The followings are “the analysis of current situation, targets, actions and initiatives”, which was announced in June last year.

## Analysis of current situation

- ✓ ROE is lower than the cost of shareholders’ equity.
- ✓ PBR has been lower than 1.0x for the last several years.

## Target

- ✓ Achieve the ROE targets set out in the long-term vision and mid-term management plan of 7.5% in FY2024 and at least 9.0% in FY2030, and achieve PBR of at least 1.0x by taking additional actions.

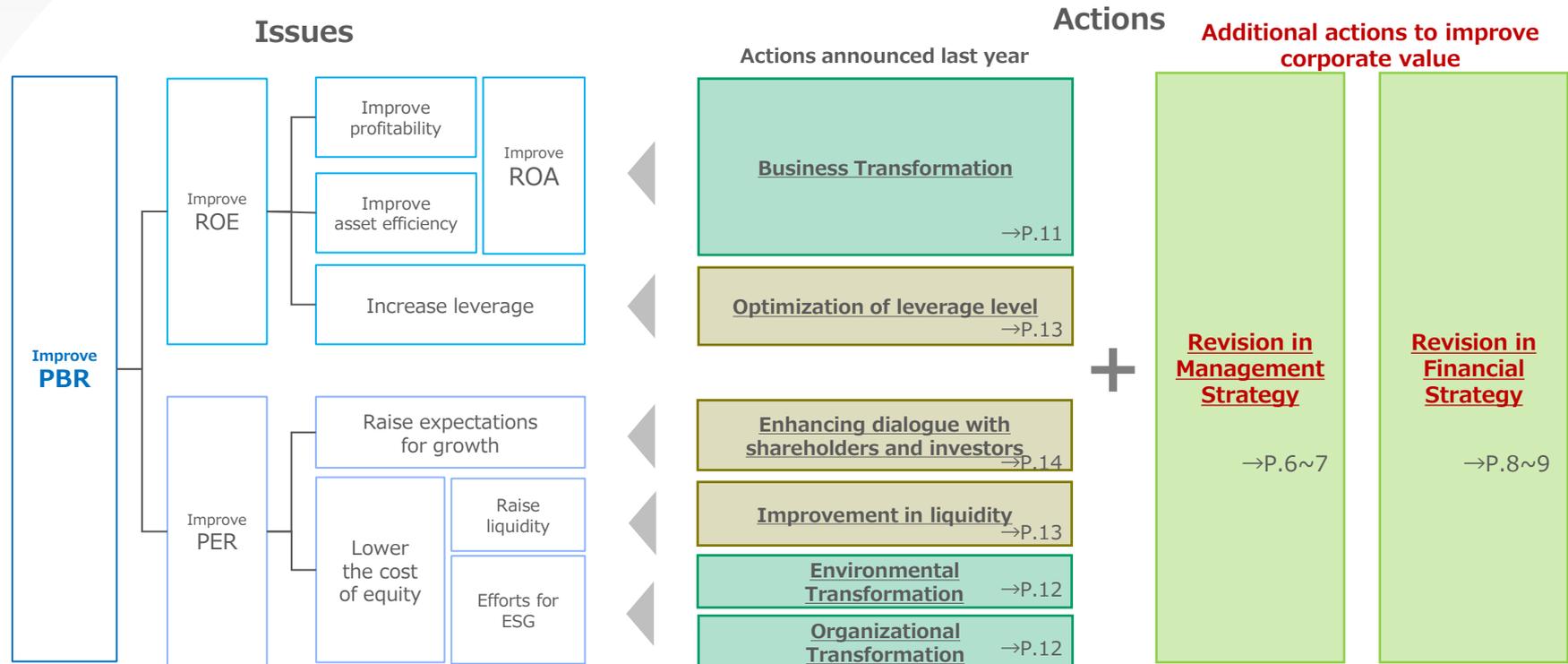
## Initiatives

- ✓ In addition to the actions of the long-term vision and mid-term management plan (three transformations), the following additional actions will be implemented.

	Initiatives
Actions in Long-term vision and mid-term management plan	Business Transformation (Expand the Solutions business, Achieve the Materials business Resilience)
	Environmental Transformation (Reduce GHG emissions and expand sales of environmentally friendly products)
	Organizational Transformation (Human resource development and promotion)
Previously added actions on top of the mid-term management plan (20 <sup>th</sup> June 2023)	Optimization of leverage level
	Improvement in liquidity
	Enhancing dialogue with shareholders and investors

## II. New additional actions to improve corporate value

- New management and financial strategies have been added onto the actions announced last year to improve corporate value. (Newly introduced in May 2024)
  - The following chart shows the relationship between the issues and actions to improve PBR.
  - Specific details and progress are given from the next slide onwards.



## II. New additional actions to improve corporate value

### Revision in Management Strategy

### Revision in Financial Strategy

- Revision of management and financial strategies to improve corporate value announced in May 2024, without waiting for the next mid-term management plan to be drawn up.

\*Please refer to [Financial Results Briefing Material for the Fiscal Year Ended March 2024 \(FY 2023\)](#)

Reference: Financial Results Briefing Material for the Fiscal Year Ended March 2024 (FY 2023)



## II. New additional actions: Revision in Management strategy

### Revision in Management Strategy

- Selected “Growth Business” and determined to actively invest resources in those businesses.

Reference: Financial Results Briefing Material for the Fiscal Year Ended March 2024 (FY 2023)

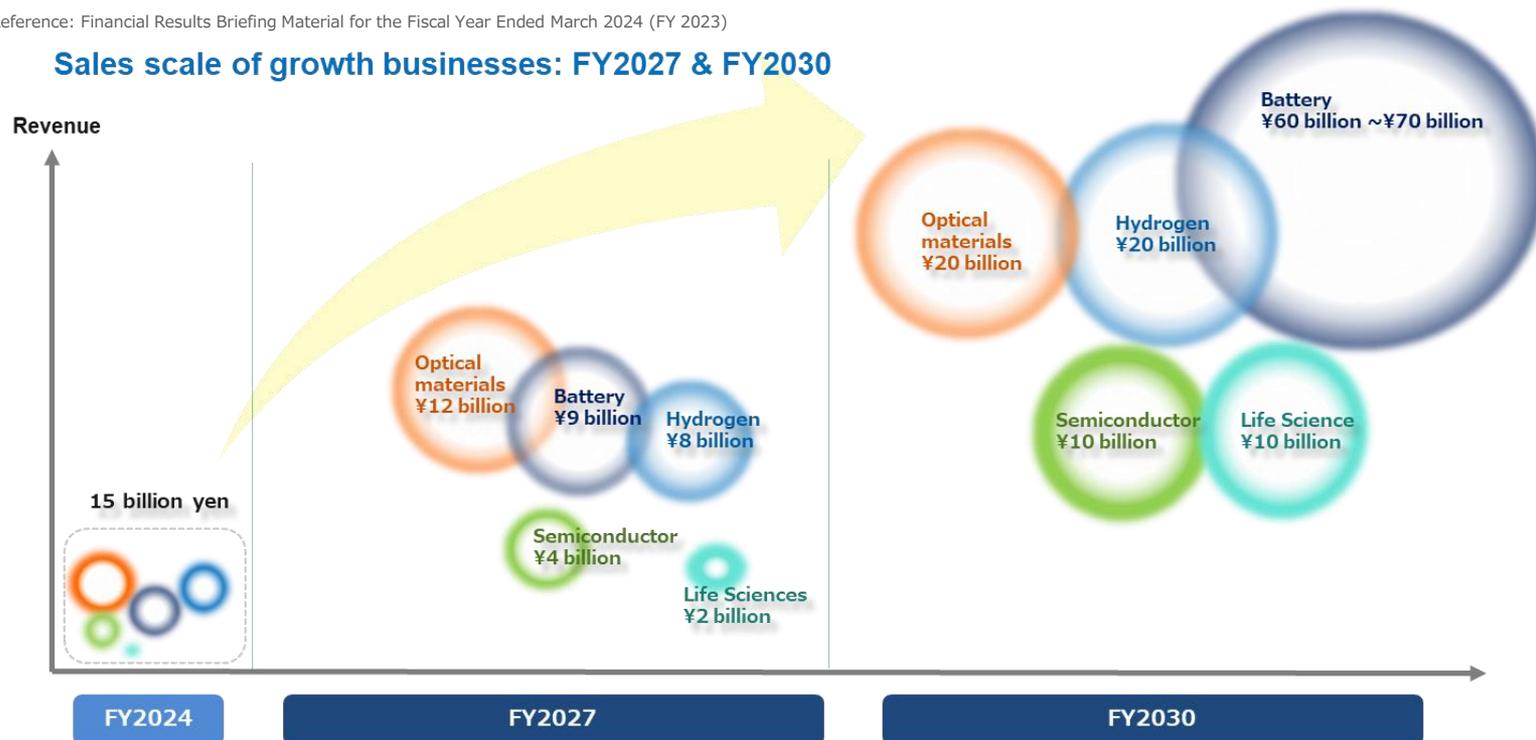
Business		Strategic Overview
<b>Growth Business</b> Business expansion to capture market growth	<b>Energy</b>	<b>Battery</b> <ul style="list-style-type: none"> <li>■ Capturing the growing demand for automotive lithium-ion batteries (establishment of a multi-site production system for Ionel)</li> <li>■ Development of next-generation electrolytes and peripheral materials</li> </ul>
		<b>Hydrogen</b> <ul style="list-style-type: none"> <li>■ Approaches to various implementation methods to hydrogen society, such as alkaline water electrolysis and ammonia decomposition catalyst.</li> <li>■ Capturing the growing demand for SOFC/SOEC (building a system to increase production of solid electrolyte sheets)</li> </ul>
	<b>Electronics</b>	<b>Optical materials</b> <ul style="list-style-type: none"> <li>■ Responding to the shift in the LCD market to China</li> <li>■ Shifting to high-value-added products such as next-generation displays</li> </ul>
		<b>Semiconductors</b> <ul style="list-style-type: none"> <li>■ Expansion of product lineup for 3D packaging materials (e.g., particulate products)</li> <li>■ Develop new products utilizing our materials and technologies</li> </ul>
	<b>Life Sciences</b>	<b>Health and Medicine</b> <ul style="list-style-type: none"> <li>■ Contract development and manufacturing of active pharmaceutical ingredients (CDMO) and development of drug discovery support using proprietary technologies</li> <li>■ Expand marketing to growing overseas areas (North America)</li> </ul>
Business		Strategic Overview
<b>Core Business (1)</b> Maximize profits with increased efficiency	AA・SAP	<ul style="list-style-type: none"> <li>■ Tap into demand in India and other growth areas</li> <li>■ Optimize production and supply systems at six sites worldwide</li> </ul>
	EO	<ul style="list-style-type: none"> <li>■ Capture maximum demand by taking the opportunity of the domestic industry restructuring</li> </ul>
<b>Core Business (2)</b> Business expansion in response to area expansion and market inflection points	Specialty Chemical	<ul style="list-style-type: none"> <li>■ Develop high-margin business with highly unique materials</li> <li>■ Review marketing methods and development system, accelerate overseas expansion</li> </ul>
	Construction Chemical	<ul style="list-style-type: none"> <li>■ Develop and launch products that contribute to carbon neutrality</li> <li>■ Expand lineup of high-performance building materials based on emulsions</li> </ul>

## II. New additional actions: Revision in Management strategy

### Revision in Management Strategy

Reference: Financial Results Briefing Material for the Fiscal Year Ended March 2024 (FY 2023)

### Sales scale of growth businesses: FY2027 & FY2030



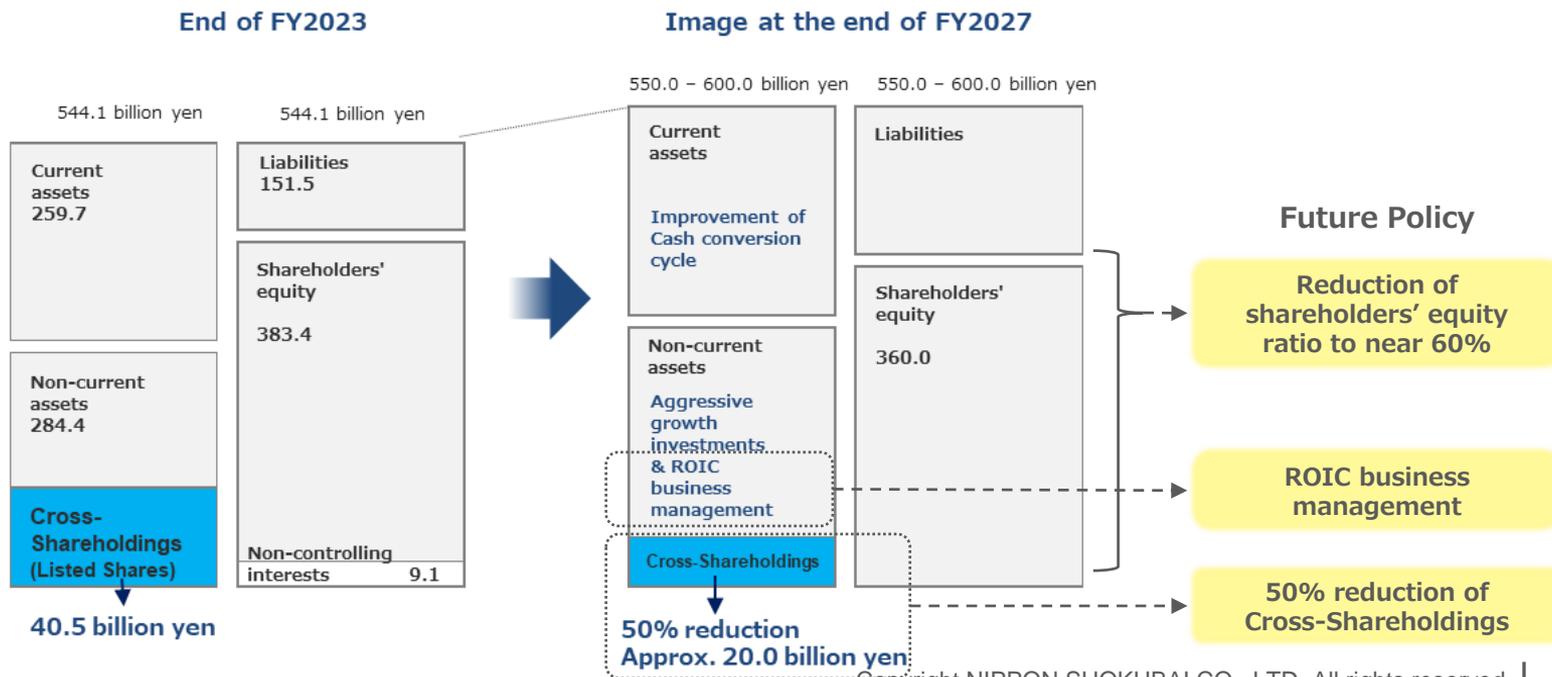
## II. New additional actions: Revision in Financial strategy

### Revision in Financial Strategy

- Set specific targets and timing for reduction of cross-shareholdings and financial leverage (shareholders' equity ratio)
- Decided to start ROIC business management

### <Balance Sheet>

Reference: Financial Results Briefing Material for the Fiscal Year Ended March 2024 (FY 2023)



## II. New additional actions: Revision in Financial strategy

### Revision in Financial Strategy

- Revised the cash allocation policy of the current mid-term management plan and decided a policy to aim **for both increased profits and improved capital efficiency** through proactive investment in growth and shareholder returns.

#### <Cash Allocation Policy>

Reference: Financial Results Briefing Material for the Fiscal Year Ended March 2024 (FY 2023)

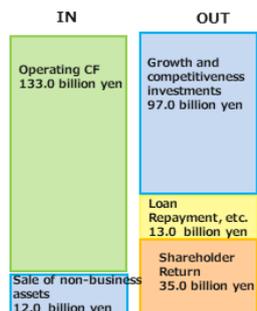
#### ● Policy and Progress in Current Mid-term Plan

- Emphasis on balance between investment and shareholder returns
- Delay investment for growth
- Sell non-business assets and increase shareholder returns ahead of schedule

#### FY2022 - 2024 Mid-term Management Plan

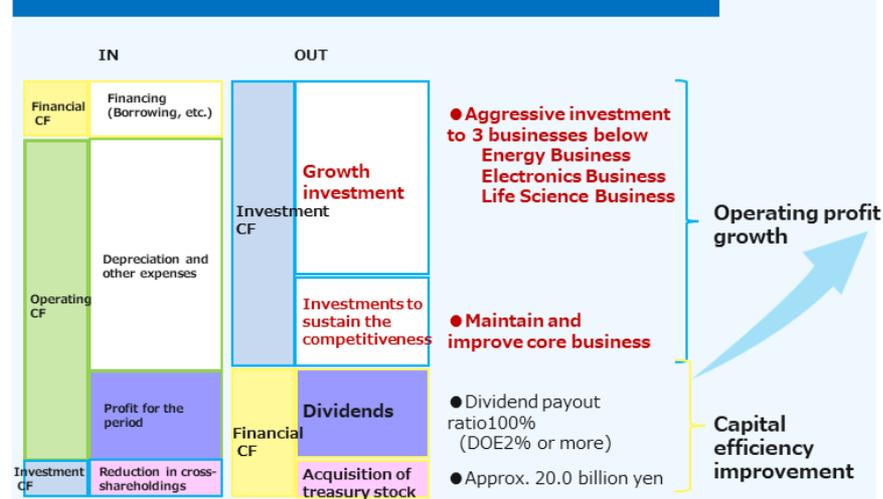


#### FY2022 - 2024 Forecasts



#### ● FY2024 - FY2027 Policy

- Prioritize investments (including M & A) and dividends
  - Use surplus funds for share buybacks
- \*Details of investment amount, etc. will be disclosed after the formulation of the next Mid-term Management Plan



### III. Progress in actions announced 20<sup>th</sup> June 2023 : Actions in the current mid-term management plan

- The current mid-term management plan (FY2022-2024) sets the target of ROE of 7.5% in FY2024 and at least 9.0% in FY2030 alongside with 'three transformations'.

Long-term vision

## TechnoAmenity for the future

### FY2030 Goals

- ◆ Provide materials and solutions required by people and society
- ◆ Become a chemical company that keeps evolving by identifying social trends
- ◆ Develop with various stakeholders inside and outside the company

1

#### Business Transformation

Transform portfolio from existing to growth fields

2

#### Strategic Transformation for Environmental Initiatives

Promote sustainability to realize carbon neutrality by FY2050

3

#### Organizational Transformation

Transform into an organization with sustainable growth and a company where diverse human resources are motivated to work

#### Initiatives and Target through FY2024

Expand the Solutions Business  
Achieve the Materials Business Resilience

Contribute to reducing our environmental impact throughout the entire life cycle

Realize frameworks able to foster Individual and organizational growth

Please refer to the URL below for further details

- Long-term vision [https://www.shokubai.co.jp/ja/docs/ir/vision/long-term\\_vision.pdf](https://www.shokubai.co.jp/ja/docs/ir/vision/long-term_vision.pdf)
- Mid-term Management Plan [https://www.shokubai.co.jp/ja/docs/ir/vision/mid-term\\_managementplan.pdf](https://www.shokubai.co.jp/ja/docs/ir/vision/mid-term_managementplan.pdf)

### III. Progress in actions announced 20<sup>th</sup> June 2023 : Actions in the current mid-term management plan

#### Business Transformation

【 Glossary 】 AA : Acrylic Acid    SAP : Superabsorbent polymers  
AES : Acrylates                      EO : Ethylene oxide

- Although it is becoming increasingly difficult to achieve the FY2024 target (ROE 7.5%) of the mid-term management plan, we will improve profitability in early stage through the implementation of the action plans.

Section	Progress Status	Future Action Plan
Expansion of Solutions Business	<ul style="list-style-type: none"> <li>● Sluggish Sales of Strategic Products                             <ul style="list-style-type: none"> <li>· Resins for Optical Films: Sales did not increase as expected due to delays in recovery of display-related demand.</li> <li>· Concrete Admixtures Material: Volume decreased due to restructuring of the admixture industry and competition with Chinese and Korean products in overseas markets.</li> <li>· Detergent Ingredients: Reduced use of our company products used in high-performance detergents</li> </ul> </li> <li>● Delayed by about 2 years in Energy (battery, hydrogen) and life sciences (health and medicine: Nucleic Acids &amp; Peptides CDMO) where aiming to expand business (profit contribution) from FY 2025 onwards</li> <li>● Completion of the development of a platform to strengthen the ability to propose solutions.                             <ul style="list-style-type: none"> <li>· Increase in personnel resources approximately 100 more people in 3 years (initial plan indicated 70)</li> <li>· Establish a mechanism to visualize and share customer information</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● Recovery in the strategic product group                             <ul style="list-style-type: none"> <li>· Resins for optical films: Response to the shift in the LCD market to China</li> <li>· Concrete Admixture Material: Early launch of products contributing to carbon neutral</li> <li>· Detergent Ingredients: Reviewing optimal production system.</li> </ul> </li> <li>● Invest resources actively in 3 Businesses (Energy business, Electronics business, and Life science business)</li> <li>● Execution of diverse business expansion plans (M&amp;A, product clustering, overseas expansion, etc.)</li> </ul>
Resilience in the Materials Business	<ul style="list-style-type: none"> <li>● AA · SAP:                             <ul style="list-style-type: none"> <li>· SAP: Completion of capacity expansion through remodeling of existing plant</li> <li>· AES: Decline in market conditions and sales volume due to outflow of low-priced Chinese products to Asian regions as a result of economic slowdown in China.</li> </ul> </li> <li>● EO:                             <ul style="list-style-type: none"> <li>· Reflecting raw material and fuel price increase into selling prices.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● SAP: Strengthen sales to growth markets such as in highly functional fields and the Indian market</li> <li>● AA and EO: Increase market share in view of domestic industry restructuring</li> <li>● EO: Acquire contract for new EO additions</li> </ul>
	<ul style="list-style-type: none"> <li>● Developing bio-AA production methods for multiple routes (to build bench and pilot facilities)</li> <li>● Demand for biomass-derived products has not increased as expected</li> </ul>	<ul style="list-style-type: none"> <li>● Continuation for the development of bio-AA manufacturing methods in preparation for the rising demand</li> </ul>

### III. Progress in actions announced 20<sup>th</sup> June 2023 : Actions in the current mid-term management plan

Environmental Transformation

Organizational Transformation

- “Environmental Transformation” and “Organizational Transformation” are progressing as planned.

Targets	FY2021 Results	FY2022 Results	FY2023 Results	FY2024 Forecasts	FY2024 Mid-term management plan	2030 Our Goal
CO <sub>2</sub> emission reductions (Scope 1 and Scope 2 emissions in Japan relative to FY 2014)	2% reduction	14% reduction*	13% reduction*	-	-	<b>30% reduction</b>
Environmental Contribution Products Revenue	39.0 billion yen	44.0 billion yen	45.0 billion yen	<b>45.0 billion yen</b>	<b>55.0 billion yen</b>	135.0 billion yen
Ratio of female recruitment in clerical and chemical position	23.3%	24.1%	28.6%	<b>30.0%</b>	<b>30%</b>	-
Ratio of female managers	4.1%	4.4%	5.4%	<b>6.0%</b>	<b>6%</b>	-
Ratio of male employees taking childcare leave *Change from more than one day to more than 15 days	4.1%	36.4%	90.0%	<b>100.0%</b>	<b>100.0%</b>	-

(\* Includes 7.5% carbon credits)

(\* Includes 7.3% carbon credits)

### III. Progress in actions announced 20<sup>th</sup> June 2023 : Added actions on top of the mid-term management plan

#### Optimization of leverage level

##### Proactive shareholder returns

- Total shareholder return ratio for FY2023 is **expected to be 99.7%**, exceeding the target of 50% of current mid-term management plan.
- Reviewed the shareholder return policy of the current mid-term management plan and decided to increase shareholder returns from FY2024 to FY2027 (→ page 9)

#### Improvement in liquidity

##### Stock Split

- Executed a four-for-one stock split effective April 1, 2024 and reduce the amount per unit of investment.  
⇒ **Ratio of individual shareholders increased from approx. 10% (as of end/September 2023) to approx. 11% (as of end/March 2024)**

##### Cross-shareholding dissolution

- Continued discussions with our shareholding partners regarding the dissolution of cross-shareholdings.  
⇒ **In FY2023, approximately 3 million shares(\*) of the Company's stock were sold by the company's holdings** \*Number of shares after the stock split

### III. Progress in actions announced 20<sup>th</sup> June 2023 : Added actions on top of the mid-term management plan

#### Enhancing dialogue with shareholders and investors

#### Enhancement of dialogue opportunities and dialogue tools

- Continue to hold financial results briefings for institutional investors, small meetings, interviews and facility tours, and briefings for individual investors.
- Early release of English-language versions of financial results briefing materials and financial statements.
  - ⇒ **Consideration of disclosure for future 1Q and 3Q financial results briefing materials. (currently only 2Q and full year)**

#### Reflecting the content of dialogue in management strategies

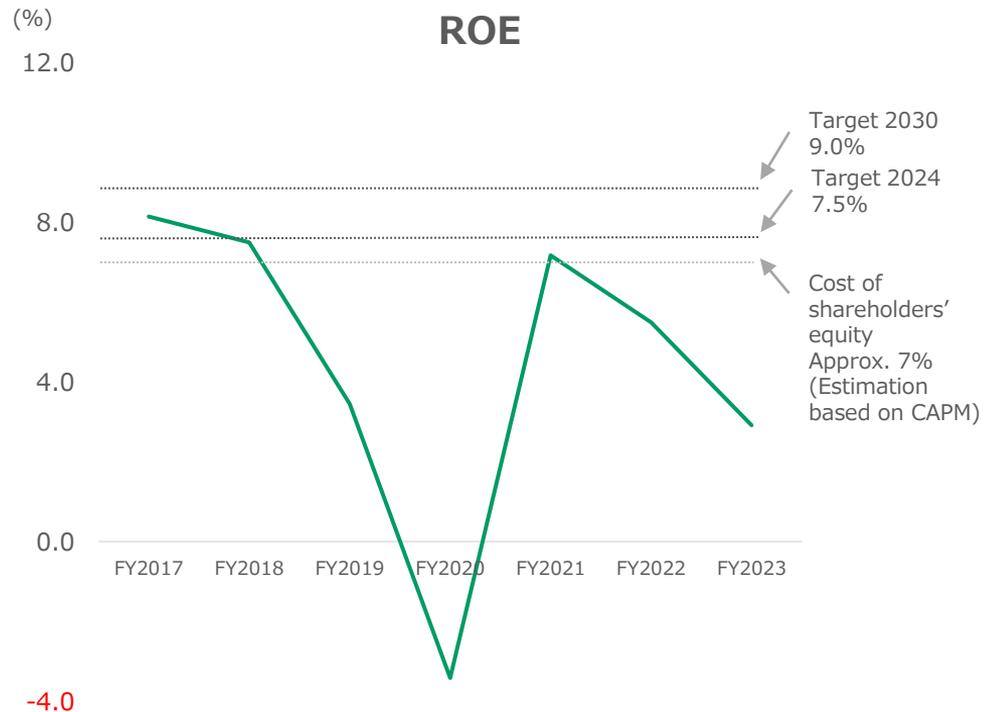
- Feedback opinions from shareholders and investors to management and the Board of Directors as appropriate.

#### < Main Dialogue Topics >

- Future growth strategies
- Cost of capital and financial strategies
- ESG (CO2 emission reduction, corporate governance, etc.)

# (References) Analysis of current situation

- PBR has been in upward trend since the 2<sup>nd</sup> half of FY2023 by announcement and execution of actions.
- ROE is lower than the cost of shareholders' equity



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